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**UNITED STATES DISTRICT COURT  
DISTRICT OF NEVADA**

GARY SMITH AND PAMELA DUVALL,  
individually and on behalf of all others  
similarly situated,

Plaintiffs,

v.

PAYSIGN, INC.; MARK NEWCOMER; and  
MARK ATTINGER,

Defendants.

Case No. \_\_\_\_\_

**CLASS ACTION COMPLAINT FOR  
VIOLATIONS OF THE FEDERAL  
SECURITIES LAWS**

**JURY TRIAL DEMANDED**

Plaintiffs Gary Smith and Pamela Duvall (“Plaintiffs”), by and through their attorneys, allege upon personal knowledge as to their own acts, and upon information and belief as to all other matters, based upon the investigation conducted by and through their attorneys, which included, among other things, a review of documents filed by Defendants (as defined below) with the United States Securities and Exchange Commission (the “SEC”), news reports, press releases issued by Defendants, and other publicly available documents, as follows:

**NATURE AND SUMMARY OF THE ACTION**

1  
2 1. This is a federal securities class action on behalf of all investors who purchased or  
3 otherwise acquired Paysign, Inc. (“Paysign” or the “Company”) common stock between March  
4 12, 2019 and March 31, 2020, inclusive (the “Class Period”). This action is brought on behalf of  
5 the Class for violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the  
6 “Exchange Act”), 15 U.S.C. §§ 78j(b) and 78t(a) and Rule 10b-5 promulgated thereunder by the  
7 SEC, 17 C.F.R. § 240.10b-5.

8  
9 2. Paysign is a publicly traded company that provides prepaid card programs and  
10 processing services under the Paysign brand to corporations, government agencies, universities,  
11 and other organizations. The Company changed its name from 3PEA International Inc. to  
12 Paysign, Inc. on April 23, 2019

13 3. Throughout the Class Period, Defendants made materially false and/or misleading  
14 statements, as well as failed to disclose material adverse facts about the Company’s business,  
15 operations, and compliance policies. Specifically, Defendants failed to disclose to investors that:  
16 (1) Paysign’s internal controls over financial reporting were not effective; (2) Paysign’s  
17 information technology (“IT”) general controls were not effective; and (3) as a result of the  
18 foregoing, Defendants’ public statements were materially false and misleading at all relevant  
19 times.  
20

21 4. On March 16, 2020, during pre-market hours, Paysign announced that it would be  
22 unable to file its annual financial report with the SEC in a timely fashion because of an ongoing  
23 audit, advising investors that “management identified material weaknesses related to (i)  
24 assessment of internal controls over financial reporting and (ii) [IT] general controls.”  
25

26 5. On this news, Paysign’s stock price fell \$0.93 per share, or 16.85%, to close at  
27 \$4.59 per share on March 16, 2020.  
28



**PARTIES**

14. Plaintiff Gary Smith acquired shares of Paysign common stock at artificially inflated prices as set forth in his attached certification, and has been damaged.

15. Plaintiff Pamela Duvall acquired shares of Paysign common stock at artificially inflated prices as set forth in her attached certification, and has been damaged.

16. Plaintiffs Smith and Duvall are married.

17. Defendant Paysign, Inc. is incorporated under the laws of Nevada, with its principal place of business at 1700 W. Horizon Ridge Parkway, Suite 200, Henderson, Nevada 89012. Its common stock trades on the Nasdaq stock exchange under the symbol PAYS.

18. Defendant Mark Newcomer is and was at all relevant times Paysign's Chief Executive Officer.

19. Defendant Mark Attinger is and was at all relevant times Paysign's Chief Financial Officer.

20. Defendants Newcomer and Attinger (together, the "Individual Defendants"), because of their positions with the Company, possessed the power and authority to control the contents of the Company's reports to the SEC, press releases and presentations to securities analysts, money and portfolio managers, and the investing public, *i.e.*, the market. The Individual Defendants were provided with copies of the Company's reports and press releases alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material, non-public information available to them, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to, and were being concealed from, the public, and that the positive representations that were being made were then materially false and/or misleading. The Individual Defendants are therefore liable for the misstatements and omissions plead herein.

**SUBSTANTIVE ALLEGATIONS**

21. Paysign provides prepaid card programs and processing services under the Paysign brand to corporations, government agencies, universities, and other organizations. The Company offers various services, including transaction processing, cardholder enrollment, value loading, cardholder account management, reporting, and customer service through Paysign, a proprietary card-processing platform. It also develops prepaid card products for healthcare reimbursement payments, pharmaceutical assistance, donor compensation, corporate and incentive rewards, and expense reimbursement cards; and payroll or general purpose reloadable cards, as well as gift or incentive cards. In addition, the Company offers Buy and Bill programs for patients to purchase directly from physician's office or through an infusion center for physician administered therapies; payment solution for source plasma collection centers; and Paysign Premier, a demand deposit account debit card, as well as customer service center and Paysign Communications Suite services. Its principal target markets for processing services comprise prepaid card issuers, retail and private-label issuers, small third-party processors, and small and mid-size financial institutions in the United States and internationally.

22. Paysign's customers include healthcare companies, major pharmaceutical companies and source plasma providers, large multinationals, prestigious universities, and social media companies.

**MATERIALLY FALSE MISSTATEMENTS AND OMISSIONS**

23. On March 12, 2019, the start of the Class Period, in pre-market hours, Paysign filed an Annual Report on Form 10-K with the SEC, reporting the Company's financial and operating results for the quarter and year ended December 31, 2018 (the "2018 10-K"). The 2018 10-K provided, in relevant part:

Our chief executive officer and chief financial officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d15(e) under the Securities Exchange Act of 1934) as of December 31, 2018.

1 *Based on that evaluation, our chief executive officer and chief financial officer*  
2 *concluded that, as of the evaluation date, such controls and procedures were*  
3 *effective.*

4 \* \* \*

5 As of December 31, 2018 we conducted an evaluation, under the supervision and  
6 with the participation of our chief executive officer (our principal executive  
7 officer), our chief operating officer and our chief financial officer (also our  
8 principal financial and accounting officer) of the effectiveness of our internal  
9 control over financial reporting based on criteria established in Internal Control -  
10 Integrated Framework issued by the Committee of Sponsoring Organizations of  
11 the Treadway Commission, or the COSO Framework. Management's assessment  
12 included an evaluation of the design of our internal control over financial  
13 reporting and testing of the operational effectiveness of those controls. A material  
14 weakness is defined within the Public Company Accounting Oversight Board's  
15 Auditing Standard No. 5 as a deficiency, or a combination of deficiencies, in  
16 internal control over financial reporting, such that there is a reasonable possibility  
17 that a material misstatement of the company's annual or interim financial  
18 statements will not be prevented or detected on a timely basis. ***Based upon this***  
19 ***assessment, management concluded that our internal control over financial***  
20 ***reporting was effective as of December 31, 2018.***

21 (Emphasis added.)

22 24. The Individual Defendants signed certifications pursuant to the Sarbanes-Oxley  
23 Act of 2002 ("SOX"), which were appended to the 2018 10-K as exhibits. These certifications  
24 attested that "[t]he information contained in the [2018 10-K] fairly presents, in all material  
25 respects, the financial condition and results of operations of the Company."

26 25. On May 8, 2019, Paysign filed a Quarterly Report on Form 10-Q with the SEC,  
27 reporting the Company's financial and operating results for the quarter ended March 31, 2019  
28 (the "1Q 19 10-Q"), which provided, in relevant part:

Our chief executive officer and chief financial officer are responsible for  
establishing and maintaining our disclosure controls and procedures. Disclosure  
controls and procedures means controls and other procedures that are designed to  
ensure that information we are required to disclose in the reports that we file or  
submit under the Securities Exchange Act of 1934 is recorded, processed,  
summarized and reported within the time periods specified in the Securities and  
Exchange Commission's rules and forms, and to ensure that information required  
to be disclosed by us in those reports is accumulated and communicated to the our  
management, including our principal executive and principal financial officers, or  
persons performing similar functions, as appropriate to allow timely decisions

1 regarding required disclosure. Our chief executive officer and chief financial  
2 officer evaluated the effectiveness of our disclosure controls and procedures (as  
3 defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of  
4 1934) as of March 31, 2019. ***Based on that evaluation, our chief executive  
officer and chief financial officer have concluded that, as of the evaluation  
date, such controls and procedures were effective.***

5 (Emphasis added.)

6 26. The Individual Defendants signed certifications pursuant to the Sarbanes-Oxley  
7 Act of 2002 (“SOX”), which were appended to the 1Q 19 10-Q as exhibits. These certifications  
8 attested that “[t]he information contained in the [1Q 19 10-Q] fairly presents, in all material  
9 respects, the financial condition and results of operations of the Company.”

10 27. On August 7, 2019, Paysign filed a Quarterly Report on Form 10-Q with the SEC,  
11 reporting the Company’s financial and operating results for the quarter ended June 30, 2019 (the  
12 “2Q 19 10-Q”), which provided, in relevant part:  
13

14 Our chief executive officer and chief financial officer are responsible for  
15 establishing and maintaining our disclosure controls and procedures. Disclosure  
16 controls and procedures means controls and other procedures that are designed to  
17 ensure that information we are required to disclose in the reports that we file or  
18 submit under the Securities Exchange Act of 1934 is recorded, processed,  
19 summarized and reported within the time periods specified in the Securities and  
20 Exchange Commission’s rules and forms, and to ensure that information required  
21 to be disclosed by us in those reports is accumulated and communicated to the our  
22 management, including our principal executive and principal financial officers, or  
23 persons performing similar functions, as appropriate to allow timely decisions  
24 regarding required disclosure. Our chief executive officer and chief financial  
25 officer evaluated the effectiveness of our disclosure controls and procedures (as  
26 defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of  
27 1934) as of June 30, 2019. ***Based on that evaluation, our chief executive officer  
and chief financial officer have concluded that, as of the evaluation date, such  
controls and procedures were effective.***

24 (Emphasis added.)

25 28. The Individual Defendants signed certifications pursuant to the Sarbanes-Oxley  
26 Act of 2002 (“SOX”), which were appended to the 2Q 19 10-Q as exhibits. These certifications  
27 attested that “[t]he information contained in the [2Q 19 10-Q] fairly presents, in all material  
28 respects, the financial condition and results of operations of the Company.”

1           29.     On November 6, 2019, Paysign filed a Quarterly Report on Form 10-Q with the  
2 SEC, reporting the Company's financial and operating results for the quarter ended September  
3 30, 2019 (the "3Q 19 10-Q"), which provided, in relevant part:

4           Our chief executive officer and chief financial officer are responsible for  
5 establishing and maintaining our disclosure controls and procedures. Disclosure  
6 controls and procedures means controls and other procedures that are designed to  
7 ensure that information we are required to disclose in the reports that we file or  
8 submit under the Securities Exchange Act of 1934 is recorded, processed,  
9 summarized and reported within the time periods specified in the Securities and  
10 Exchange Commission's rules and forms, and to ensure that information required  
11 to be disclosed by us in those reports is accumulated and communicated to the our  
12 management, including our principal executive and principal financial officers, or  
13 persons performing similar functions, as appropriate to allow timely decisions  
regarding required disclosure. Our chief executive officer and chief financial  
officer evaluated the effectiveness of our disclosure controls and procedures (as  
defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of  
1934) as of September 30, 2019. ***Based on that evaluation, our chief executive  
officer and chief financial officer have concluded that, as of the evaluation  
date, such controls and procedures were effective.***

14 (Emphasis added.)

15           30.     The Individual Defendants signed certifications pursuant to the Sarbanes-Oxley  
16 Act of 2002 ("SOX"), which were appended to the 3Q 19 10-Q as exhibits. These certifications  
17 attested that "[t]he information contained in the [3Q 19 10-Q] fairly presents, in all material  
18 respects, the financial condition and results of operations of the Company."

19           31.     The statements in paragraphs 23-30 were materially false and misleading and  
20 omitted to disclose material information. Specifically, Defendants made false and/or misleading  
21 statements, and/or failed to disclose to investors that: (1) Paysign's internal controls over  
22 financial reporting were not effective; (2) Paysign's IT general controls were not effective; and  
23 (3) as a result of the foregoing, Defendants' statements and disclosures were materially false and  
24 misleading at all relevant times.  
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26  
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1           32. Defendants knew, or in reckless disregard for the truth should have known, that at  
2 the time the statements in paragraphs 23-30 were made that: (1) Paysign's internal controls over  
3 financial reporting were not effective; (2) Paysign's IT general controls were not effective.

4                                   **THE TRUTH BEGINS TO EMERGE**

5           33. On March 16, 2020, during pre-market hours, Paysign announced that it would be  
6 unable to file its annual financial report with the SEC in a timely fashion because of an ongoing  
7 audit, advising investors that "management identified material weaknesses related to (i)  
8 assessment of internal controls over financial reporting and (ii) [IT] general controls."

9  
10           34. On this news, Paysign's stock price fell \$0.93 per share, or 16.85%, to close at  
11 \$4.59 per share on March 16, 2020.

12           35. Then, after the markets closed on March 31, 2020, Paysign announced that it was  
13 again delaying the release of its 2019 financial results.

14           36. On this news, the stock fell from its March 31, 2020 close of \$5.17 per share to a  
15 close of \$4.35 per share on April 1, 2020, or a drop of approximately 16%.

16  
17           37. As a result of Defendants' wrongful acts and omissions, and the precipitous  
18 decline in the market value of Paysign's securities, Plaintiffs and other members of the Class  
19 have suffered significant losses and damages.

20                                   **CLASS ACTION ALLEGATIONS**

21           38. Plaintiffs bring this action as a class action pursuant to Rule 23 of the Federal  
22 Rules of Civil Procedure on behalf of a class of all persons and entities who purchased or  
23 otherwise acquired Paysign common stock between March 12, 2019 to March 31, 2020,  
24 inclusive. Excluded from the Class are Defendants, directors and officers of the Company, as  
25 well as their families and affiliates.  
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1           39. The members of the Class are so numerous that joinder of all members is  
2 impracticable. The disposition of their claims in a class action will provide substantial benefits to  
3 the parties and the Court.

4           40. There is a well-defined community of interest in the questions of law and fact  
5 involved in this case. Questions of law and fact common to the members of the Class which  
6 predominate over questions which may affect individual Class members include:

- 7           a. Whether the Exchange Act was violated by Defendants;  
8           b. Whether Defendants omitted and/or misrepresented material facts;  
9           c. Whether Defendants' statements omitted material facts necessary in order to make  
10 the statements made, in light of the circumstances under which they were made,  
11 not misleading;  
12           d. Whether Defendants knew or recklessly disregarded that their statements were  
13 false and misleading;  
14           e. Whether the price of the Company's stock was artificially inflated; and  
15           f. The extent of damage sustained by Class members and the appropriate measure of  
16 damages.  
17

18           41. Plaintiffs' claims are typical of those of the Class because Plaintiffs and the Class  
19 sustained damages from Defendants' wrongful conduct alleged herein.  
20

21           42. Plaintiffs will adequately protect the interests of the Class and have retained  
22 counsel who are experienced in class action securities litigation. Plaintiffs have no interests that  
23 conflict with those of the Class.  
24

25           43. A class action is superior to other available methods for the fair and efficient  
26 adjudication of this controversy.  
27  
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**FRAUD ON THE MARKET**

44. Plaintiffs will rely upon the presumption of reliance established by the fraud-on-the-market doctrine that, among other things:

- a. Defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- b. The omissions and misrepresentations were material;
- c. The Company's common stock traded in efficient markets;
- d. The misrepresentations alleged herein would tend to induce a reasonable investor to misjudge the value of the Company's common stock; and
- e. Plaintiffs and other members of the class purchased the Company's common stock between the time Defendants misrepresented or failed to disclose material facts.

45. At all relevant times, the markets for the Company's stock were efficient for the following reasons, among others: (i) the Company filed periodic public reports with the SEC; and (ii) the Company regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the major news wire services and through other wide-ranging public disclosures such as communications with the financial press, securities analysts, and other similar reporting services. Plaintiffs and the Class relied on the price of the Company's common stock, which reflected all information in the market, including the misstatements by Defendants.

**NO SAFE HARBOR**

46. The statutory safe harbor provided for forward-looking statements under certain conditions does not apply to any of the allegedly false statements pleaded in this Complaint. The specific statements pleaded herein were not identified as forward-looking statements when made.

1           47. To the extent there were any forward-looking statements, there were no  
2 meaningful cautionary statements identifying important factors that could cause actual results to  
3 differ materially from those in the purportedly forward-looking statements.

#### 4                                   **SCIENTER ALLEGATIONS**

5           48. As alleged herein, Defendants acted with scienter since Defendants knew that the  
6 public documents and statements issued or disseminated in the name of the Company were  
7 materially false and/or misleading; knew that such statements or documents would be issued or  
8 disseminated to the investing public; and knowingly and substantially participated or acquiesced  
9 in the issuance or dissemination of such statements or documents as primary violations of the  
10 federal securities laws. As set forth elsewhere herein in detail, the Individual Defendants, by  
11 virtue of their receipt of information reflecting the true facts regarding Paysign, their control  
12 over, and/or receipt and/or modification of Paysign's allegedly materially misleading  
13 misstatements and/or their associations with the Company which made them privy to  
14 confidential proprietary information concerning Paysign, participated in the fraudulent scheme  
15 alleged herein.  
16  
17

#### 18                                   **LOSS CAUSATION**

19           49. On March 16, 2020, during pre-market hours, Paysign announced that it would be  
20 unable to file its annual financial report with the SEC in a timely fashion because of an ongoing  
21 audit, advising investors that "management identified material weaknesses related to (i)  
22 assessment of internal controls over financial reporting and (ii) [IT] general controls."

23           50. On this news, Paysign's stock price fell \$0.93 per share, or 16.85%, to close at  
24 \$4.59 per share on March 16, 2020.  
25

26           51. Then, after the markets closed on March 31, 2020, Paysign announced that it was  
27 again delaying the release of its 2019 financial results.  
28





**DEMAND FOR JURY TRIAL**

Plaintiffs hereby demand a trial by jury in this action of all issues so triable.

Dated: April 2, 2020

Respectfully submitted,

By: /s/ John P. Aldrich  
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